

VINACAPITAL-VIBF

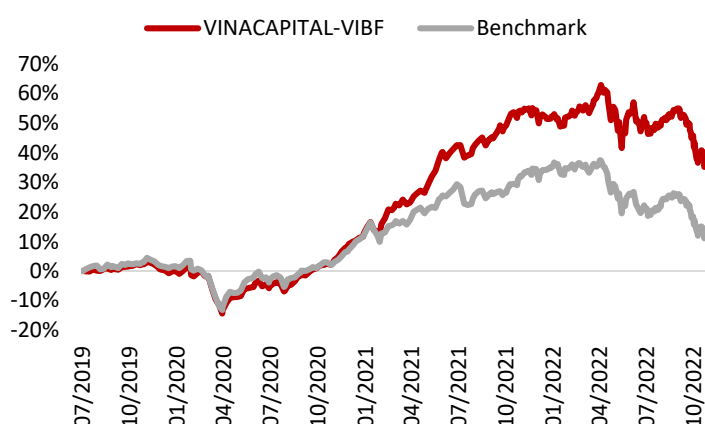
Investment approach

The Fund has a goal of providing investors with exposure to potential equity appreciation while also investing in fixed income to reduce overall portfolio volatility. The Fund has a standard allocation of 50%/50%.

The Fund focuses on investing into companies with strong fundamentals, large market shares, good corporate governance, healthy financial status and reasonable valuations compared to their potential upside.

The Fund will also take positions in bills, bonds, certificate of deposits, and other fixed-income products issued by creditworthy companies with sustainable profitability and high capital adequacy.

NAV growth since inception



The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance data quoted.

Fund performance

	VINACAPITAL-VIBF	BM
Total AUM (VND billion)	575.4	
NAV/Share	13,770.8	
Oct 2022 return (%)	-5.5	-4.3
YTD 2022 return (%)	-9.6	-13.3
3-year annualized return (%)	10.4	3.3
Annualized return since inception (%)	10.1	3.8
Cumulative return since inception (%)	37.7	13.3

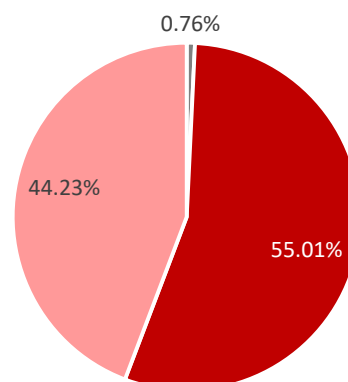
(The NAV is net of management fee and administrative expenses)

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Investment allocation

% Total NAV



■ Cash ■ CD & Bonds & Deposits ■ Equity

Fund information

Inception	2/7/2019
Management fee	1.75% per annum
Subscription fee	0.0%
Redemption fee	2.0% < 12 months 1.5% >= 12 months 0.5% >= 24 months
Custodian and Supervisory Bank	Standard Chartered Bank Ltd. (Vietnam)
Auditor	PwC Vietnam
Trading frequency	Daily, from Monday to Friday
Benchmark (BM)	Average of VN-Index and 12-month VND denominated deposit rate by Vietcombank.

Equity portfolio statistics

	VINACAPITAL-VIBF	BM
Trailing P/E (x) (*)	8.2	10.7
Trailing P/B (x) (*)	2.2	1.7
Trailing ROE (%) (*)	24.5	15.4
Dividend yield (%) (*)	2.4	1.8
No. of stocks	23	402

(*) Trailing 12-month data

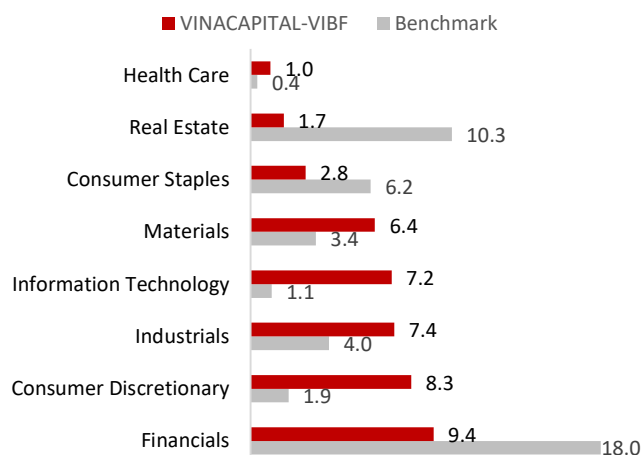
Fixed-income portfolio statistics

Macaulay Duration (years)	0.9
Yield-To-Maturity (%)	8.5

Source: Bloomberg, VinaCapital's forecast

Equity sector allocation

% Total NAV



Top holdings

	Ticker	Sector	Weighted (%)
Equity	FPT	Information Technology	7.2
	MWG	Consumer Discretionary	4.8
	MBB	Financials	4.5
	PNJ	Consumer Discretionary	3.4
	REE	Industrials	3.4
Bond	MSN12003	Consumer Staples	11.0
	KBC121020	Real Estate	7.6
	KDHH2225001	Real Estate	6.2

Comments from fund manager

BOND MARKET COMMENTARY

Bond yields in the secondary market increased slightly during the month, reflecting tightened market liquidity conditions and rising rate expectations. Yields were up by 20-30 bps across nearly all terms in October. The yield curve has taken on a flatter shape as it moved upward, and the current yields are much higher than pre-Covid levels. In the primary market, STV issuance rose significantly, with VND24.65 trillion (+141.7% MoM) raised. The bid-to-coverage and the winning rate also improved compared to the previous month. Consequently, the winning yields rose for the 10Y (+120 bps, at 4.2%) and the 15Y (+110 bps, at 4.4%) tenors. Year-to-date, the STV has completed just 36.7% of its annual plan. Given the current pace, it will be difficult for it to achieve its ambitious plan for the year.

In the corporate market, there was only one domestic corporate bond issuance by Nui Phao Company, which operates in the basic resources sector, via a private placement. The total value of that single issuance was VND210 billion, a drop of 99.7% YoY.

(to be cont. in the next column)

Comments from fund manager (cont.)

EQUITY MARKET COMMENTARY

The VN-Index continued its slump in October, declining 9.2%. Investors were preoccupied with negative news and events, which included an interest rate hike, the depreciation of the Vietnam Dong (VND), and the arrest of the chairperson of Van Thinh Phat Group, one of the largest real estate developers in Vietnam. On a year-to-date (YTD) basis, the VN-Index has declined 31.4%.

Market sentiment was weak, with average daily trading value on the combined three bourses dropping to VND13 trillion in October, a 17% MoM decline and the lowest level since December 2020. Foreign investors continued to be net sellers of VND1.3 trillion during the month.

On 25 October, the State Bank of Vietnam made a second interest rate hike (the first was just one month prior), raising the re-financing rate to 6.0% from 5.0%, the re-discount rate to 4.5% from 3.5%, and the cap for 1-month to below 6-month deposit interest rate to 6.0% from 5.0%. At present, several banks are offering deposit rates of over 9% for 12-month terms, a YTD increase of roughly 300 bps.

A stronger USD and the Fed's tightening policy have placed significant pressure on the VND, which depreciated 4.1% against the USD in October alone and 8.8% in 10M22. This generated additional negative sentiment in the market.

Earlier in the month, the chairperson of Van Thinh Phat Group was arrested for alleged fraud related to the issuance and trading of bonds. That event triggered some panic selling on the stock market because Van Thinh Phat Group is among the largest real estate developers in Vietnam and is believed to be closely related to Saigon Joint Stock Commercial Bank (SCB), the fifth-largest bank in the country in terms of deposit amount. The Van Thinh Phat event raised further concerns about the corporate bond market, as the amount of such bonds due to mature in 2023 is huge, at over VND300 trillion; the real estate sector accounts for approximately 45%. Rising interest rates has made issuing new bonds or rolling over debt more difficult, and the real estate market is currently stagnant.

The 3Q22 business results of listed companies painted a mixed picture. The aggregate net profit of listed companies on HOSE and HNX advanced by 15.9% YoY in 3Q22 and 16.3% YoY in 9M22. Nevertheless, the QoQ figure posted a decline of 5.8%. Excluding the financial sector, the profit of which grew by 40.5% YoY in 3Q22 and 30.8% YoY in 9M22, the net profit of the non-financial sectors would decline 3.2% YoY in 3Q22 and increase by just 4.0% YoY in 9M22.

FUND COMMENTARY AND INVESTMENT OUTLOOK

VINACAPITAL-VIBF NAV per share declined 5.5% in October. On a YTD basis, the fund has declined by 9.6%, while its benchmark has plunged 13.3%.

Most companies in the fund's top holdings delivered encouraging 3Q22 business results. FPT, the fund's largest equity holding, posted 3Q22 and 9M22 net profit of VND1,454 billion and VND3,943 billion, growth of 29% and 30% YoY, respectively.

3Q22 and 9M22 net profit of MBB reached VND4.9 trillion and VND14.0 trillion, growth of 61% and 53% YoY, respective. The bank also maintained QoQ profit growth in 3Q22, but its business result may face more challenges in the coming quarters due to funding cost increases and issues related to the corporate bond market.

Retailers continued their strong recovery from last year's pandemic. PNJ posted a net profit of VND252 billion in 3Q22, compared to a loss of VND160 billion in 3Q21. The company's 9M22 net profit grew 133% YoY (to VND1,340 billion), 66% higher than 9M19, before the COVID-19 occurred.

The Van Thinh Phat situation has worsened market sentiment, which had already been affected by the tightening monetary policies across the world's major economies and in Vietnam. For VINACAPITAL-VIBF, the asset allocation to equity will be around 40-45% in the coming months, the remaining will be fixed-income investments and cash. At the end of October, the VN-Index traded at a 2022F P/E of only 9.9x, which is 2 standard deviations below the 10-year mean and a 32% discount from the average of ASEAN stock markets. Such a valuation offers a rare bargain for long-term investors, as long as they are not overly nervous and have enough confidence in the stock market's ability to overcome current challenges in the long term. VINACAPITAL-VIBF can offer investors the opportunity to capture the upside of the equity market in the long-term, while limiting the short-term risks by reducing the portfolio volatility.

Monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-1.3%	-0.6%	-12.7%	6.6%	3.7%	-0.4%	-0.9%	5.5%	2.4%	1.6%	5.7%	4.0%	12.7%
2021	-0.4%	8.3%	1.5%	3.3%	9.9%	1.9%	-0.7%	2.0%	2.9%	3.9%	-0.2%	-1.0%	35.2%
2022	-0.1%	1.9%	3.1%	-2.8%	-1.6%	-1.7%	-0.8%	3.9%	-5.9%	-5.5%			-9.6%

Important information

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